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Report Highlights:

The forecasts for MY2003 sugar imports and exports both have been revised sharply upward since FAS/China's last report ([CH2023](#)) due to imports of raw sugar that are coming in under China's WTO commitment, being processed, and then re-exported as refined sugar. The forecast for area planted to sugar beets also has been revised upward sharply, but the forecast for cane planted area (the dominant factor in China's sugar production) has been increased only slightly. The relatively low sugar price is not dissuading farmers from planting.

Includes PSD changes: Yes
Includes Trade Matrix: No
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Table of Contents

Production	1
Overview	1
Cane	1
Beets	1
Sugar	1
Consumption	2
Trade	2
Imports	2
Exports	2
Stocks	2
Policy	3
Marketing	3
Production, Supply, and Distribution Tables	4
Table 1. Sugar	4
Table 2. Sugar Beets	5
Table 3. Sugar Cane	5

Production

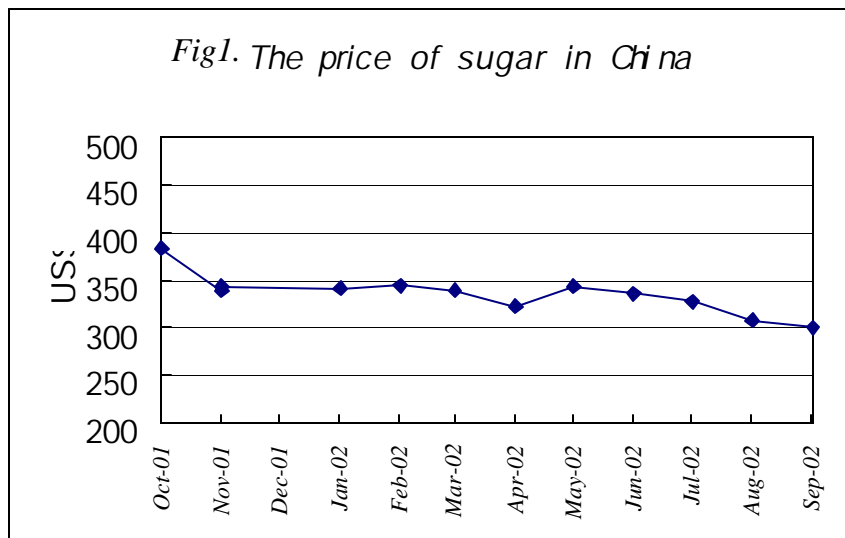
Overview: For MY2003 the forecasts of planted area for both sugar cane and sugar beets have been revised upward to 1.31 million ha and 525,000 ha respectively. The total sugar production forecast for the same period has been reduced to 8.41 MMT from the earlier forecast. The sugar production estimate for MY2002 has been reduced to 7.87 MMT (raw basis). The planted area estimates for beets and cane for MY2002 have been increased to 406,000 ha and 1.24 million ha respectively. These estimates are based on the most recent data from provincial-level sources. Industry sources attribute the increase in planting area to high sugar prices in MY2001.

Cane: In looking at cane production by region, cane area in the Guangxi Autonomous Region is forecast to increase 5.8 percent to 610,000 ha in MY2003 compare to the MY2002 estimate of 575,000 ha. The Guangxi provincial government continues to consider sugar cane a key industry worthy of support. The policy objectives and support measures include: 1) increased use of the Land Conversion Program, including policies designed to reduce the cane planted area by approximately one million ha, mostly land on steep hillsides; 2) increase the size of cane growing operations through consolidation of small plots; and, 3) to increase planting of high-yield varieties of sugar cane with the goal of increasing yields to 100MT/ha from the current 60 MT/ha.

In Yunnan, sugar cane area in MY2003 is forecast at 278,000 ha and 169,000 ha in Guangdong province. Unlike Guangxi province, the government of Guangdong province does not pay its cane growers support payments. Guangdong's coastal location and strong economy provide numerous profitable alternatives to sugar cane production.

Beets: Regarding sugar beet production, the area planted forecast for MY2003 has been revised upward 33 percent compared to the most recent forecast. The greatest increases are expected to occur in the interior provinces such as Xinjiang, where planted area is forecast to increase 7 percent to 92,000 ha in MY2003 compared to MY2002. In order to reduce the production cost and increase incomes of sugar cane producers, Xinjiang Autonomous region introduced several new varieties of sugar beets from Germany. These varieties reportedly can increase yields 15 percent. Sugar beet planting area for MY2003 is forecast at 207,300 ha in Heilongjiang and 65,000 ha in Inner Mongolia, up 12.2 percent and 11.2 percent compared with 182,000 ha and 58,000 ha in MY2002 respectively.

Sugar: An error in the previous cane sugar production forecast number has been corrected to 6.702 MMT. Apparently the wrong conversion factor was used. The sugar production forecast for MY2003 has been revised upward to 8.41 MMT from the earlier corrected forecast of 7.8 MMT. The wholesale price for sugar decreased 13.5 percent to US\$300/ MT by September 2002 compared to US\$383 in October 2001 (see Figure 1). Most sugar processing plants in China are losing money because the average production cost is US\$333/MT for sugar cane and US\$366/MT for sugar beets. Representative regional cane production cost (US\$/MT) in the southern cane-growing provinces are as follows: 1) Guangxi (US\$323); 2) Guangdong (US\$342); and, 3) Yunnan (US\$333). Many small refineries that closed over the past several years reopened in response to the high sugar prices of the preceding year. A large number of these were privatized, thus the local governments cannot control their production. Furthermore, they recognize that the refineries are important sources of both tax revenue and employment, so they leave them alone. Their long-term viability, however, will depend on sugar prices.



The estimate for MY2002 also has been revised downward to 7.87 MMT. The initial estimate was based on the relatively high sugar price in early MY2001. The MY2001 production figure remains unchanged.

Consumption

The MY2003 sugar consumption forecast has been revised downward 2 percent to 8.79 MMT based on more recent data. Per capita consumption of table sugar remains very low – 1.7kg for urban households and 1.28kg for rural households. But as incomes increase, people are consuming more sugar-containing processed foods and beverages. According to a report from the Chinese Beverage Industry Association, from January to July 2002, the production of all beverages increased 13.5 percent to 12.1 MMT. Sugar-containing beverages, including soft drinks and juices containing added sugar, accounted for 19.2 percent of the increase, 5.7 percent higher than other types of beverages.

Trade

Imports: The MY2003 sugar import forecast has been revised upward 36 percent since the initial forecast to 1.52 MMT. This sharp increase is attributable to opening of China's sugar market as part of its WTO commitments. The MY2002 sugar import estimate has been revised upward 26 percent to 1.39 MMT. Imports of raw sugar account for most of these increases. The government of China will continue to control the amount and allocation of sugar imports. Four large state owned enterprises get 70 percent of total sugar import quota.

Exports: The MY2003 export forecast for sugar has been revised upward 30 percent to 650,000 MT. The MY2002 estimate also has been revised upward to 647,000 MT based on more recent government data. These increase are both attributable to the importation of raw sugar that China refines and then re-exports. China's WTO Accession Agreement contains a clause which states that China must provide "...adequate opportunities for consultations in case of excessive re-export of sugar from China and it shall fully take into account the concerns of WTO members in this regard."

Stocks

The forecast of MY2003 beginning stocks has been revised downward 38 percent. Much of this revision can be attributed to lower than expected sugar production in MY2002. The forecast for MY2003 ending stocks has been revised upward 52 percent to 1.41 MMT from the newly corrected forecast of 921,000 MT. The increase can be attributed to the increased production of beets and increased imports that are not offset by commensurate increases in consumption or exports.

Policy

China's WTO tariff rate quota (TRQ) for sugar for 2003 is 1.852 MMT. The in-quota tariff rate is 20 percent. On September 30, 2002, China's State Planning and Development Commission (SDPC) announced the implementation procedures of that TRQ. Eligible importers include: 1) State-owned enterprises; 2) central enterprises with state reserve functions; 3) enterprises with good import records for general trade in 2002; and, 4) sugar enterprises with the capacity to process 600 tons of raw sugar daily. Eligible importers must obtain Processing Trade Certificates from the Ministry of Foreign Trade and Cooperation. Applicants for the processing trade must apply for a "B" type TRQ allocation and obtain a certificate from SDPC authorized organizations in their jurisdiction.

Also, see "Production" section above for discussion of the Land Conversion Program policies.

Marketing

Artificial sweeteners remain the major obstacle to increasing sugar consumption. Nine saccharine manufacturers, which the government ordered to be closed down before February 2000, were still operating in May 2002. For a complete discussion of marketing see FAS/China's annual sugar report, [CH2014](#).

Production, Supply, and Distribution Tables

Table 1. Sugar

PSD Table						
Country:	China, Peoples Republic of					
Commodity:	Sugar					
1,000 metric tons or 1,000 HA		2001		2002		2003
	Old	New	Old	New	Old	New
Market Year Begin		10/2000		10/2001		10/2002
Beginning Stocks	1851	1851	1004	1004	1489	924
Beet Sugar Production	945	945	1090	1274	1120	1491
Cane Sugar Production	5904	5904	7670	6598	6702	6919
TOTAL Sugar Production	6849	6849	8760	7872	7822	8409
Raw Imports	875	875	950	1258	960	1320
Refined Imp.(Raw Val)	208	208	155	134	160	200
TOTAL Imports	1083	1083	1105	1392	1120	1520
TOTAL SUPPLY	9783	9783	10869	10268	10431	10853
Raw Exports	6	6	10	9	10	10
Refined Exp.(Raw Val)	123	123	490	638	500	650
TOTAL EXPORTS	129	129	500	647	510	660
Human Dom. Consumption	8650	8650	8880	8698	9000	8785
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	8650	8650	8880	8698	9000	8785
Ending Stocks	1004	1004	1489	924	921	1408
TOTAL DISTRIBUTION	9783	9783	10869	10268	10431	10853

Table 2. Sugar Beets

PSD Table						
Country:						
Commodity:	Sugar Beets					
		2001		2002		2003
	Old	New	Old	New	Old	New
Market Year Begin						
Area Planted	341	341	347	406	395	525
Area Harvested	341	341	347	406	395	525
Production	8073	8073	9314	10889	9572	12741
TOTAL SUPPLY	8073	8073	9314	10889	9572	12741
Utilization for Sugar	8073	8073	9314	10889	9572	12741
Utilizatr for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	8073	8073	9314	10889	9572	12741

Table 3. Sugar Cane

PSD Table						
Country:						
Commodity:	Sugar Cane Centrifugal					
		2001		2002		2003
		New	Old	New	Old	New
Market Year Begin						
Area Planted	1185	1185	1451	1248	1291	1307
Area Harvested	1185	1185	1451	1248	1291	1307
Production	67712	67712	87980	75663	76853	79341
TOTAL SUPPLY	67712	67712	87980	75663	76853	79341
Utilization for Sugar	67712	67712	87980	75663	76853	79341
Utilizatr for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	67712	67712	87980	75663	76853	79341